Table

Gross Domestic Product from Industrial Sector (at 1993-94 prices)

	Rs. crore	% change over previous year
1993-94	205162	-
1994-95	226051	10.2
1995-96	252359	11.6
1996-97	270218	7.1
1997-98	281788	4.3
1998-99	292347	3.7
1999-00	306400	4.8
2000-01	326618	6.6
2001-02	337509	3.3
2002-03	358022	6.1

(b) Question does not arise.

Compulsory Demat

2043. SHRI R.P. GOENKA: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) the reasons for making demat compulsory when it is optional even in countries like the US;

(b) whether small investor has been adversely hit by the fixed charges by National Security Depository Ltd. (NSDL);

(c) what has been the impact of compulsory demat on the growth of the capital market; and

(d) whether Government have any proposal to review the working of the NSDL?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) The Securities and Exchange Board of India (SEBI) has not made dematerialisation compulsory for any investor. Under the Depositories Act, 1996 investors can choose holding of securities either in physical or in demat form.

SEBI has however made all trading and settlement of securities on Stock Exchanges compulsory in demat form. This has been done to protect the interest of investors from all the problems associated with physical securities such as bad deliveries, fake, forged and stolen securities.

However, the Stock Exchange have the facility by which investors can sell upto 500 shares in physical form on the Stock Exchanges.

(b) Depositories are organisations which are expected to run on commercial basis and provide a service to the investors and the market participants at a cost. Over a period of time, the depository charges have reduced due to competition.

The tariff revision that came into force from May 2002 has two new components of charges;

(1) Fixed charges on transactions replacing the old sytem of charging on the basis of *ad-valorem.*

(2) Custody charges on the basis of holding the securities of number of companies on monthly basis.

NSDL has brought in both of the above mentioned new charges. The tariff changes by the depositories is a commercial issue. The total number of demat accounts have increased from 37.02 lakh accounts in April 2002 to the present around 38.19 lakh accounts (as on February 2003). In the last one year, demat stock has grown from Rs. 4728 crore to Rs. 6045 crore. This continuous growth of dematerialisation is indicative of the cost-effectiveness of the system.

(c) Depositories and dematerialisation had a very positive impact on the growth of the capital market. It has eliminated problems associated with bad paper, elminated problems related to transfer fo shares (transfer of shares in now instantaneous) and has helped reduce the settlement

period thereby paving the way for rolling settlement. It has also helped in removing the market lot concept, splitting and consolidating of shares besides reducing the risks and transaction cost, thereby increasing the efficiency of the market.

(d) In view of the representations received from investors about the adverse effects of new tariff of depositories, SEBI has constituted an internal Committee *viz.* "Demat Cost Committee" to examine whether the new tariff is justifiable from view point of small investors.

Advancement of loans on payment of interests

† 2044.SHRILAJPATRAI:
SHRI KAPIL SIBAL:

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether it is a fact that loan is advanced on interests by financial institutions for developmental schemes of the country;

(b) if so, the names of the financial institutions alongwith loan advanced for development, sector-wise during 1999-2000,2000-2001 and 2001-2002;

(c) the amount of loan advanced by these institutions separately alongwith the names of development sectors, during the first nine months of the current year; and

(d) the average rate of interest on these loans?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL): (a) Yes, Sir.

(b) and (c) The nine financial institutions are (1) Industrial Development Bank of India (IDBI), (2) IFCI Ltd., (3) Industrial Investment Bank of India Ltd. (IIBI), (4) Tourism Finance Corporation of India Limited (TFCI),
(5) Infrastructure Development Finance Company Limited (IDFC),
(6) Export Import Bank of India (EXIM Bank), (7) National Bank for Agriculture and Rural Development (NABARD), (8) National Housing Bank

† Original notice of the question was received in Hindi.